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60-0467

6 February 1956

MEMORANDUM FOR: Director of Central Intelligence
THROUGH: Deputy Director (Support)
SUBJECT: Status of Audit Program for Calendar Year 1955

GENERAL

1. During the calendar year 1955 the Audit Staff was able to accomplish the widest audit coverage yet experienced by the Agency. The audits during the year revealed substantial improvement in the accounting for Agency funds and property over past years but there yet remains some matters requiring attention. The number of irregularities reported by field auditors increased but it is believed this was due mainly to the broadening of the audit scope and increased experience in the making of site audits.

2. Operating divisions at Headquarters have taken a special interest in audit reports furnished by the Chief, Audit Staff and have maintained an active campaign to produce satisfactory replies to items questioned. There have been reported some irregularities involving considerable amounts of Agency assets but most of these pertain to projects which were begun more than two years ago and are now being liquidated. Reports on such projects have been submitted to appropriate Agency components for action or are in course of preparation by the Audit Staff. A review of all audit reports made gives assurance that, with minor exceptions, Agency assets are being accounted for currently in a satisfactory manner.

AUDIT ORGANIZATION

3. The Audit Staff is composed of the Office of the Chief, a Headquarters Audit Division, a field unit with headquarters at [] to audit the SE and MEA areas, one at [] to audit WE and KK areas, and one at [] for the FE area. The work of each of these offices is current with the few exceptions dealt with later in this report. Under the present program only the WE area is without a field audit unit and the Chief, Audit Staff recently visited that area with a view to selecting a site for such a unit. It is expected that we will be able to establish an office in [] in the very near future and when this has been accomplished all areas will be provided with site audit facilities. During the past year some progress has been made in bringing the audit personnel strength up to the [], but at 31 December 1955 there still remained seven vacancies for which no one as yet has

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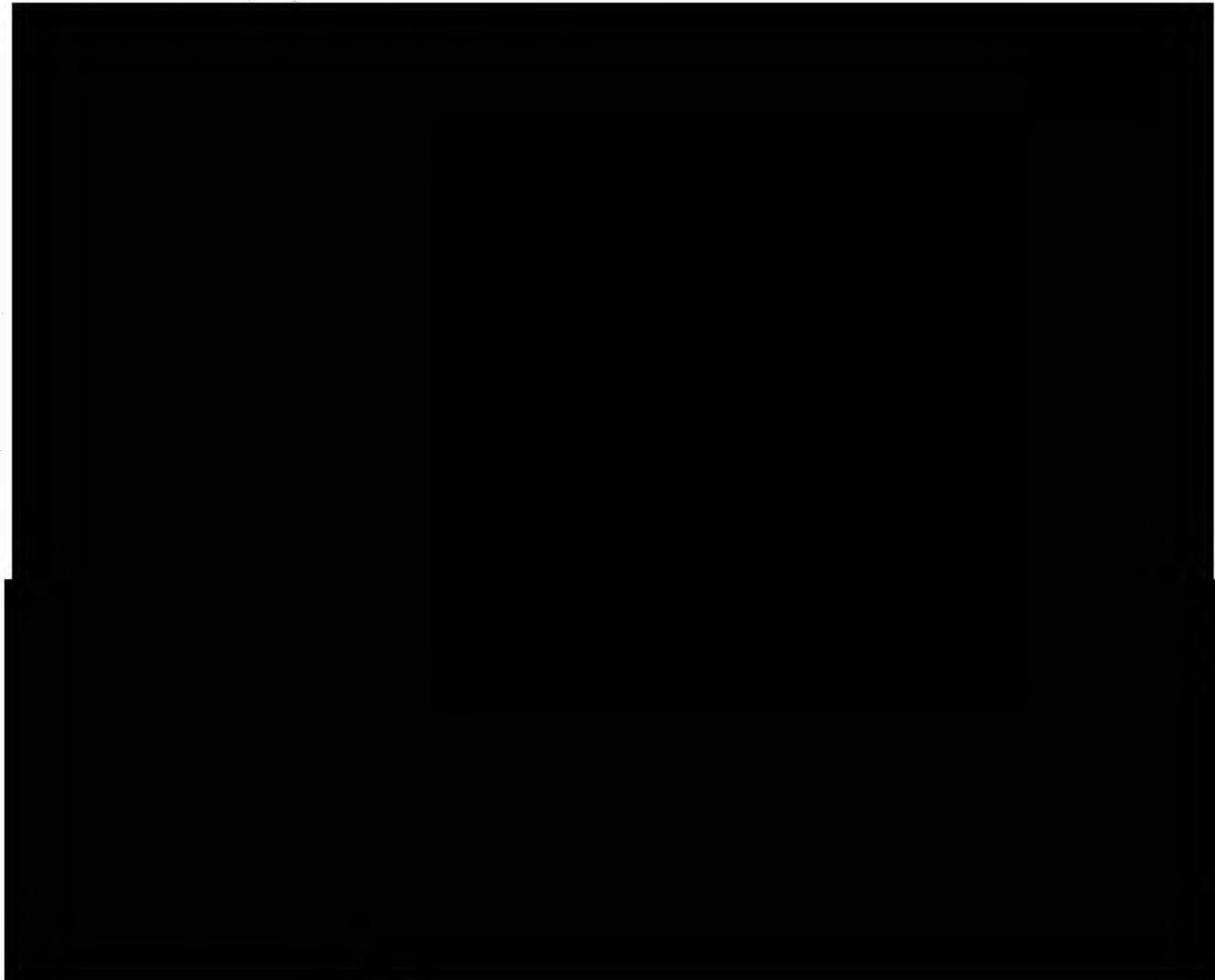
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been processed. This matter has been presented to the Office of Personnel in hopes that they will be able to recruit from the graduating classes of some of the colleges junior accountants to help in this situation.

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AUDIT ACCOMPLISHMENTS - HEADQUARTERS



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7. The policy is to make annual audits of these installations. In 1955 audits were made of [redacted] was audited late in 1954 and is scheduled for another audit early in 1956.

Financial Accounts Headquarters

8. The policy or goal is to audit all accounts on the Finance Division records at least annually and if possible semi-annually. Reports are made on individual accounts at time of completion of the audit. At 31 December 1955

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there were 180 general ledger accounts on the Finance Division records of which 42 pertained to property. These property accounts are of the financial property accounting system, but the real item accountability for property is discussed in paragraphs 9 through 12 of this paper. Audit of these property accounts was initiated during the year. All but 18 of the money accounts were audited during the year and these 18, which are not major accounts, are scheduled for audit early in 1956. In addition, surveys of payroll and travel procedures were made. The condition of the records maintained by the Finance Division and the related procedures have improved considerably during the past year. It is felt that our audits have contributed materially to this improvement.

Property

9. The policy is to audit property and property records annually.

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10. In 1955 the audits of property stored at all ZI Agency-controlled

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██████████ and of Agency property stored at ██████████ were 25X1A6a placed on an annual basis. Agency property stored at ██████████ and 25X1A6a ██████████ was audited in January 1956 and it is planned to include 25X1A6a Agency property at ██████████ in our 1956 program.

11. "In-use" property accounts audited in 1955 included Security stations, Contact stations, Reproduction Division, Detached stations and Automotive Account. Arrangements have been made to include ZI Comme accounts, ██████████ 25X1A stations and ██████████ in our 1956 program. An audit of the Building Supply Officer Account, probably the largest and most complex in-use 25X1A6a property account, will be made as soon as the Office of Logistics comes up with an acceptable inventory plan and the account is in condition to audit.

12. The Office of Logistics has made considerable progress in the past year with respect to property control. No little part of this is due to the efforts of the Audit Staff in constantly working with Logistics personnel on inventory, reconciliation, document control and procedural phases of the property program.

Industrial Contracts

13. The policy insofar as contract audits are concerned is to review the audit reports, techniques and procedures of the Industrial Contracts Audit Branch and to participate in decisions made concerning the limitation of audit of contracts. In our review of audit reports in 1955 we noted improvement in the reports and the discontinuance of disallowances for petty differences. We also participated in several decisions providing for limitation of audit of certain subcontracts.

Other Audits

14. In this category are included audits of miscellaneous activities, such as the Northwest Federal Credit Union, Government Employees Health Association (GEHA), Executive Dining Room and the like.

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15. Audits completed in 1955 included quarterly supervisory committee audits of the Credit Union (supervisory committee composed of Audit Staff personnel), bi-annual confirmation of Credit Union share and loan accounts, an annual audit of GEN A, an audit of an employee's salary account requested by the Inspector General, and the like.

AUDIT ACCOMPLISHMENTS - OVERSEAS

16. An audit program was developed in coordination with the area divisions for the audit of all Class A stations and an inspection of all Class B stations except those due to their size or for security reasons it was not considered advisable to visit. Included in this group were a number of small African stations which had never been inspected but which are now on the program of the auditor presently in the area and will be visited before the end of the month of March. The station at [REDACTED] is small and 25X1A6a difficult to visit. However, at the request of the area division the auditor has been directed to visit that station during the month of April. Each station in the South American section of SH was visited by the Chief, Audit Staff during the months of October and November and all funds were found to have been properly accounted for. Under present plans the Chief, Audit Staff plans to visit [REDACTED] during the month of 25X1A6a March.

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[REDACTED]
Chief, Audit Staff

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